#### **AUDITING PROCEDURES REPORT**

Local Go	overnment 7	Гуре		is mandatory.	Local Govern	ment Name		adanı		County	
L City Audit Da	ite		Village Opinion	U Other Date	VICLA	Date Accoun		CHARLE ort Submitted to S		SAO	INAW
	3-31-	04		5-5-09	<del>/</del>			76-04			
prepare Reporting Departm	ed in acco ng Forma ment of Ti	ordance at for Fi	with the S	Statements	of the Gov	/ernmental	Accoun	ing serificate of Governm JUL 2	e Branda	GASB) a	and the Unifo
We affir		nnlind wi	th the Pu	llatin for the	a Audita of I	anni ilmita	-60			l	
								Propagnija Mic	FINANCE DIV	revised. /.	
					ered to prac		_				
We furth	her affirm ort of com	the folic ments a	wing. "Yend recom	es" respons mendations	ses have be	en disclose	d in the	financial state	ements, in	cluding t	he notes, or i
				for each ite							
∐ yes	1 no	1. Ce	tain com	oonent unit	s/funds/age	encies of the	local u	ınit are exclud	ed from th	e financi	ial statement
yes	no	2. The ear	ere are a nings (P. <i>F</i>	ccumulated A. 275 of 19	d deficits in 980).	one or n	nore of	this unit's ur 08 856 1DEF.C.7	reserved - S	fund ba ₹€ ₽0	lances/retain
ges	no	3. The		stances of				form Accounti			
yes	[] no							n order issued rgency Munici			pal Finance A
ges	no	5. The	local uni 943, as a	t holds der mended [M	oosits/invest ICL 129.91]	tments which	ch do n i of 198	ot comply with 2, as amended	n statutory d [MCL 38	requirer 3.1132]).	ments. (P.A.
ges	no	6. The unit		t has been	delinquent	in distributi	ng tax r	evenues that	were colle	ected for	another taxi
yes	no	eari the	ned pensi	on benefits ng credits	(normal co	sts) in the	current	nent (Article 9, year. If the pla st requiremen	ın is more	than 10	0% funded ar
yes	no	8. The 199	local unit 5 (MCL 1	t uses cred 29.241).	lit cards and	d has not a	dopted	an applicable	policy as	required	by P.A. 266
yes	no	9. The	local unit	has not ac	dopted an in	nvestment p	olicy as	required by F	P.A. 196 o	f 1997 (N	MCL 129.95).
We hav	e enclos	sed the	followin	g:				Enclosed	To Forwa	Be arded	Not Required
The lette	r of comr	nents an	d recomm	nendations.	,	P6 4	16	X			•
Reports	on individ	lual fede	ral financ	ial assistan	ice program	ıs (program	audits)				X
Single Au	udit Repo	rts (ASL	GU).								X
Certified	Public Acc	ountant (	Firm Name	BERT	-HI AU.	ME É	CON	DPANY (	CPA 5	-	
Street Ad	dress	100 F	JARRI	W LA	-NE	Cit	y SA	PANY (	State	ziP	18603
Accounta	nt Signatu				South	·····			1 ///	/   _/	· 60 <u>S</u>

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60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

## INDEPENDENT AUDITORS' REPORT

Village Council Village of St. Charles St. Charles, Michigan

We have audited the accompanying general purpose financial statements of the Village of St. Charles, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of St. Charles' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of St. Charles at March 31, 2004, and the results of its operations and changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of St. Charles. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

May 5, 2004

Bertiaine & co.

# GENERAL PURPOSE FINANCIAL STATEMENTS

# ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS

## **COMBINED BALANCE SHEET**

March 31, 2004

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES					
	General			Special Revenue		Enterprise		Internal Service	
ASSETS:									
Cash and equivalents	\$	194,258	\$	204,332	\$	314,828	\$	70,284	
Taxes receivable		28,008		_		´ -		-	
Accounts receivable		11,219		-		71,280		-	
Special assessments receivable		·		549		10,980		_	
Notes receivable		-		9,823		_		_	
Due from other governmental units		32,539		32,883		_		-	
Inventory		· -		· <u>-</u>		25,672		_	
Prepaid expense		11,367		1,740		1,740		_	
Property, plant, and equipment, net					2	2,201,616		219,824	
Advance to component unit		_		196,368		_			
Amount to be provided for payment of long-term debt		· -		-		-		_	
Total assets	\$	277,391	\$	445,695	\$ 2	2,626,116	\$	290,108	

continued

ACCOUNT General Fixed Assets		NT GROUPS General Long-Term Debt		Total (Memorandum Only) Primary Government		c	Component Units		Total emorandum Only) Seporting Entity
<b>\$</b>	- - - - - - - 148,515	\$	-	<b>\$</b>	783,739 28,008 82,499 11,529 9,823 65,422 25,672 14,847 3,869,955	\$	117,309 14,826 - - - - -	<b>\$</b>	901,048 42,834 82,499 11,529 9,823 65,422 25,672 14,847 5,869,955
\$ 1,4	- - 148,515	\$	106,608 106,608	\$ 5	196,368 106,608 5,194,470	\$	255,000 387,135	\$ 5	196,368 361,608 ,581,605

# ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS

# **COMBINED BALANCE SHEET, continued**

March 31, 2004

	GOVERNMENTAL FUND TYPES				PROPRIETARYFUND TYPES			
	General			Special Revenue	Enterprise		Internal Service	
LIABILITIES AND FUND EQUITY:								
Liabilities:								
Accounts payable Accrued expense Deposits payable General obligation bonds payable Revenue bonds payable Land contract payable Contracts payable Advance from component units Compensated absences Deferred revenue	\$	14,238 2,040 - - - - -	\$	309	4	7,785 10,105 18,571 - 55,000 - 30,000	\$	969 178 - - - - - -
Total liabilities		16,278		10,190	5	 21,461		1 1 4 7
Fund Equity: Contributed capital Investment in general fixed assets Retained Earnings: Unreserved – Undesignated Fund Balances: Reserved Unreserved – Undesignated (deficit) Unreserved – Designated		11,367 249,523 223		198,108 237,088	78	86,593 - 18,062		1,147 - - 288,961 - -
Total fund equity		261,113		435,196	2 10	4,655		288,961
Total liabilities & fund equity	\$	277,391	\$	445,695		26,116	\$	290,108

	T GROUPS	Totals (Memorandum		Totals (Memorandum
General General		Only)		Only)
Fixed	Long-Term	Primary	Component	Reporting
Assets	Debt	Government	Units	Entity
\$ -	\$ -	\$ 22,992	\$ 272	\$ 23,264
-	-	12,669	2,231	14,900
· _	-	18,571	1,268	19,839
-	-	-	255,000	255,000
-	-	455,000	-	455,000
-	57,982	57,982	-	57,982
-	-	30,000	-	30,000
-	-	-	196,368	196,368
-	48,626	48,626	<u>-</u>	48,626
		10,190	-	10,190
_	106,608	656,030	455,139	1,111,169
_		786,593		79.6 502
1,448,515	-		-	786,593
1,440,515	-	1,448,515	-	1,448,515
-	-	1,607,023	-	1,607,023
-	_	209,475	_	209,475
-	-	486,611	(68,004)	418,607
		223	-	223
1,448,515	-	4,538,440	(68,004)	4,470,436
\$ 1,448,515	\$ 106,608	\$ 5,194,470	\$ 387,135	\$ 5,581,605

# ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

# COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended March 31, 2004

		NMENTAL O TYPES Special Revenue	Totals (Memorandum Only Primary Government	Component Units	Totals (Memorandum Only) Reporting Entity	
REVENUES:						
Property taxes	\$ 381,444	\$ -	\$ 381,444	\$ 119,400	\$ 500,844	
Licenses and permits	15,784	-	15,784	,, ··-	- 15,784	
Intergovernmental:			•		10,70	
State grants	241,444	168,988	410,432		410,432	
Contributions from local units	-	37,300	37,300	,	- 37,300	
Charges for services	88,234	_	88,234		- 88,234	
Fines and forfeitures	2,261	-	2,261		- 2,261	
Interest and rentals	52,157	3,087	55,244	26,122		
Other revenue	34,436	7,436	41,872	17,291	59,163	
Total revenues	815,760	216,811	1,032,571	162,813	1,195,384	
EXPENDITURES:						
General government	240,654	-	240,654	-	240,654	
Public safety	263,904	-	263,904	-	263,904	
Public works	106,940	246,810	353,750	-	353,750	
Health and welfare	2,974	14	2,988	_	2,988	
Community and economic					,	
development	2,484	-	2,484	64,736	67,220	
Recreation and culture	73,934	-	73,934	-	73,934	
Capital outlay	49,216	-	49,216	477	49,693	
Debt Service:						
Principal	-	-	-	79,361	79,361	
Interest		-	-	18,589	18,589	
Total expenditures	740,106	246,824	986,930	163,163	1,150,093	
Excess of revenues over (under)						
expenditures	75,654	(30,013)	45,641	(350	45,291	

continued

The accompanying notes are an integral part of the financial statements.

# ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

# COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, continued

For the Year Ended March 31, 2004

	GOVERNA FUND 1		Totals (Memorandum Only	(.	Totals (Memorandum Only)	
	General	Special Revenue	Primary Government	Component Units	Reporting Entity	
OTHER FINANCING SOURCES (USES)						
Transfers from other funds Transfers to other funds	(40,000)	69,405 (29,405)	69,405 (69,405)	-	69,405 (69,405)	
Total other financing sources (uses)	(40,000)	40,000		-		
Excess of revenues and other financing sources over (under) expenditures and other financing uses	35,654	9,987	45,641	(350)	45,291	
Fund balances, beginning of year (deficit)	225,459	425,209	650,668	(67,654)	583,014	
Fund balances (deficit), end of year	\$ 261,113 \$	435,196	\$ 696,309	\$ (68,004)	\$ 628,305	

# GENERAL AND SPECIAL REVENUE FUNDS

# COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET & ACTUAL

For the Year Ended March 31, 2004

Part		G	GENERAL FUND		SPECIAL REVENUE FUNDS			
REVENUES:           Taxes         \$ 380,026         \$ 381,444         \$ 1,418         \$ -		Do Jane	4.4.7	Favorable			Variance Favorable	
Taxes Licenses and permits Licenses and permits Licenses and permits Intergovernmental:         16,400         15,784         6(616)         -         -         -           Intergovernmental:         243,518         241,444         (2,074)         161,695         168,988         7,293           Contributions from local units         -         -         -         37,300         37,300         37,300           Charges for services         88,092         88,234         142         -         -         -           Fines and forfeitures         2,262         2,261         (11)         -         -         -           Interest and rentals         52,235         52,157         (78)         3,069         3,087         18           Other revenue         36,800         34,436         (2,364)         3,669         3,087         18           Other revenue         819,333         815,760         (3,573)         208,704         216,811         8,107           Total revenues         819,333         815,760         (3,573)         208,704         216,811         8,107           EXPENDITURES:           General government         260,848         240,654         20,194         -         -         -         <	REVENUES:	Buaget	Actual	(Unfavorable)	Budget	Actual (U	nfavorable)	
State grants         243,518         241,444         (2,074)         161,695         168,988         7,293           Contributions from local units         -         -         -         37,300         37,300         -           Charges for services         88,092         88,234         142         -         -         -           Fines and forfeitures         2,262         2,261         (1)         -         -         -           Interest and rentals         52,235         52,157         (78)         3,069         3,087         18           Other revenue         36,800         34,436         (2,364)         6,640         7,436         796           Total revenues         36,800         34,436         (2,364)         6,640         7,436         796           Total revenues         819,333         815,760         (3,573)         208,704         216,811         8,107           EXPENDITURES:           General government         260,848         240,654         20,194         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         <	Taxes Licenses and permits				\$ -	\$ -	\$ -	
Fines and forfeitures         2,262         2,261         (1)         - <t< td=""><td>State grants Contributions from local units</td><td>_</td><td>-</td><td>(2,074)</td><td></td><td></td><td>7,293</td></t<>	State grants Contributions from local units	_	-	(2,074)			7,293	
Interest and rentals				142	-	-	-	
Other revenue         36,800         34,436         (2,364)         6,640         7,436         796           Total revenues         819,333         815,760         (3,573)         208,704         216,811         8,107           EXPENDITURES:           General government         260,848         240,654         20,194         - <td< td=""><td></td><td></td><td></td><td></td><td>-</td><td>-</td><td>-</td></td<>					-	-	-	
Total revenues 819,333 815,760 (3,573) 208,704 216,811 8,107  EXPENDITURES:  General government 260,848 240,654 20,194						3,087	18	
EXPENDITURES:  General government 260,848 240,654 20,194	Other revenue	36,800	34,436	(2,364)	6,640	7,436	796	
General government         260,848         240,654         20,194         -	Total revenues	819,333	815,760	(3,573)	208,704	216,811	8,107	
Public safety 276,853 263,904 12,949	EXPENDITURES:							
Public safety 276,853 263,904 12,949	General government	260,848	240,654	20,194	_	_	_	
Public works 109,104 106,940 2,164 264,201 246,810 17,391 Health and welfare 2,974 2,974 - 14 14 14 - Community and economic development 4,144 2,484 1,660	Public safety				_	-	_	
Health and welfare 2,974 2,974 - 14 14 14 Community and economic development 4,144 2,484 1,660		109,104	106,940		264,201	246,810	17.391	
development   4,144   2,484   1,660   -   -   -     -		2,974	2,974	· -		•		
Recreation and culture         76,990         73,934         3,056         -								
Capital outlay 52,903 49,216 3,687 Total expenditures 783,816 740,106 43,710 264,215 246,824 17,391  Excess of revenues over (under) expenditures 35,517 75,654 40,137 (55,511) (30,013) 25,498  OTHER FINANCING SOURCES (USES):  Transfers from other funds 69,405 69,405 - Total other funds (40,000) (40,000) - (29,405) (29,405) - Total other financing sources (uses) (40,000) (40,000) - 40,000 40,000 - Excess of revenues and other financing sources over (under) expenditures and other financing uses (4,483) 35,654 40,137 (15,511) 9,987 25,498  Fund balances, beginning of year 225,459 225,459 - 425,209 425,209 -		4,144	2,484	1,660	-	_	-	
Total expenditures 783,816 740,106 43,710 264,215 246,824 17,391  Excess of revenues over (under)			73,934	3,056	-	_	-	
Excess of revenues over (under) expenditures 35,517 75,654 40,137 (55,511) (30,013) 25,498  OTHER FINANCING SOURCES (USES):  Transfers from other funds 69,405 69,405 - 70,000 (40,000) - (29,405) (29,405) - 70,000 (40,000) - 40,000 40,000 - 70,000 (40,000) -	Capital outlay	52,903	49,216	3,687	-	-	-	
expenditures       35,517       75,654       40,137       (55,511)       (30,013)       25,498         OTHER FINANCING SOURCES (USES):         Transfers from other funds       -       -       -       69,405       69,405       -         Transfers to other funds       (40,000)       (40,000)       -       (29,405)       (29,405)       -         Total other financing sources (uses)       (40,000)       (40,000)       -       40,000       40,000       -         Excess of revenues and other financing sources over (under) expenditures and other financing uses       (4,483)       35,654       40,137       (15,511)       9,987       25,498         Fund balances, beginning of year       225,459       225,459       -       425,209       425,209       -	Total expenditures	783,816	740,106	43,710	264,215	246,824	17,391	
OTHER FINANCING SOURCES (USES):  Transfers from other funds  69,405 69,405 -  Transfers to other funds (40,000) (40,000) - (29,405) (29,405) -  Total other financing sources (uses) (40,000) (40,000) - 40,000 40,000 -  Excess of revenues and other financing sources over (under) expenditures and other financing uses (4,483) 35,654 40,137 (15,511) 9,987 25,498  Fund balances, beginning of year 225,459 225,459 - 425,209 425,209 -	Excess of revenues over (under)							
SOURCES (USES):  Transfers from other funds 69,405 69,405 -  Transfers to other funds (40,000) (40,000) - (29,405) (29,405) -  Total other financing sources (uses) (40,000) (40,000) - 40,000 40,000 -  Excess of revenues and other financing sources over (under) expenditures and other financing uses (4,483) 35,654 40,137 (15,511) 9,987 25,498  Fund balances, beginning of year 225,459 225,459 - 425,209 425,209 -	expenditures	35,517	75,654	40,137	(55,511)	(30,013)	25,498	
Transfers to other funds (40,000) (40,000) - (29,405) (29,405) -  Total other financing sources (uses) (40,000) (40,000) - 40,000 40,000 -  Excess of revenues and other financing sources over (under) expenditures and other financing uses (4,483) 35,654 40,137 (15,511) 9,987 25,498  Fund balances, beginning of year 225,459 225,459 - 425,209 425,209 -								
Total other financing sources (uses) (40,000) (40,000) - 40,000 40,000 -  Excess of revenues and other financing sources over (under) expenditures and other financing uses (4,483) 35,654 40,137 (15,511) 9,987 25,498  Fund balances, beginning of year 225,459 225,459 - 425,209 425,209 -		- (40,000)	- (40,000)	-	,	,	-	
Excess of revenues and other financing sources over (under) expenditures and other financing uses (4,483) 35,654 40,137 (15,511) 9,987 25,498  Fund balances, beginning of year 225,459 225,459 - 425,209 425,209 -				-	(29,405)	(29,405)	-	
financing sources over (under) expenditures and other financing uses (4,483) 35,654 40,137 (15,511) 9,987 25,498  Fund balances, beginning of year 225,459 225,459 - 425,209 425,209 -	Total other financing sources (uses	(40,000)	(40,000)	-	40,000	40,000	-	
Fund balances, beginning of year 225,459 225,459 - 425,209 -	financing sources over (under) expenditures and other							
	financing uses	(4,483)	35,654	40,137	(15,511)	9,987	25,498	
Fund balances, end of year \$ 220,976 \$ 261,113 \$ 40,137 \$ 409,698 \$ 435,196 \$ 25,498	Fund balances, beginning of year	225,459	225,459	_	425,209	425,209	-	
	Fund balances, end of year	\$ 220,976	\$ 261,113	\$ 40,137 \$	409,698	\$ 435,196	\$ 25,498	

The accompanying notes are an integral part of the financial statements.

#### PROPRIETARY FUND TYPES

# COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

For the Year Ended March 31, 2004

OPERATING REVENUES:	_	Enterprise Funds	 Internal Service Fund		Totals (Memorandum Only)	
Charges for services Other	\$	493,251 1,801	\$ 102,748	\$	595,999 1,801	
Total operating revenues	_	495,052	102,748		597,800	
OPERATING EXPENSES:						
Personnel		92,424	10 026		112.26	
Fringe benefits		41,287	19,836 4,127		112,260	
Supplies		3,965	9,196		45,414 13,161	
Contracted and professional services		11,851	340		12,191	
Telephone		2,216	J <del>4</del> 0		2,216	
Dues and memberships		314	_		314	
Education and training		290	_		290	
Repairs= and maintenance		24,015	10,044		34,059	
Insurance		6,274	7,000		13,274	
Utilities		5,462	7,000		5,462	
Purchase of water		99,862	_		99,862	
Equipment rental		42,162	25,000		67,162	
Other expenses		27	23,000		27	
Depreciation		130,217	36,772		166,989	
Total operating expenses		460,366	 112,315		572,681	
Operating income (loss)		34,686	 (9,567)		25,119	
NON-OPERATING REVENUES (EXPENSES):						
Interest income		4,441	1,857		6,298	
Interest expense		(27,845)	1,057		(27,845)	
Total non-operating revenues (expenses)		(23,404)	 1,857		(21,547	
Net income (loss)		11,282	(7,710)		3,572	
Add: Depreciation of fixed assets acquired with contributed capital		74,917	<b>-</b>		74,917	
Increase (decrease) in retained earnings		86,199	(7,710)		78,489	
Retained earnings, beginning of year		1,231,863	296,671		1,528,534	
Retained earnings, end of year	\$	1,318,062	\$ 288,961	\$	1,607,023	

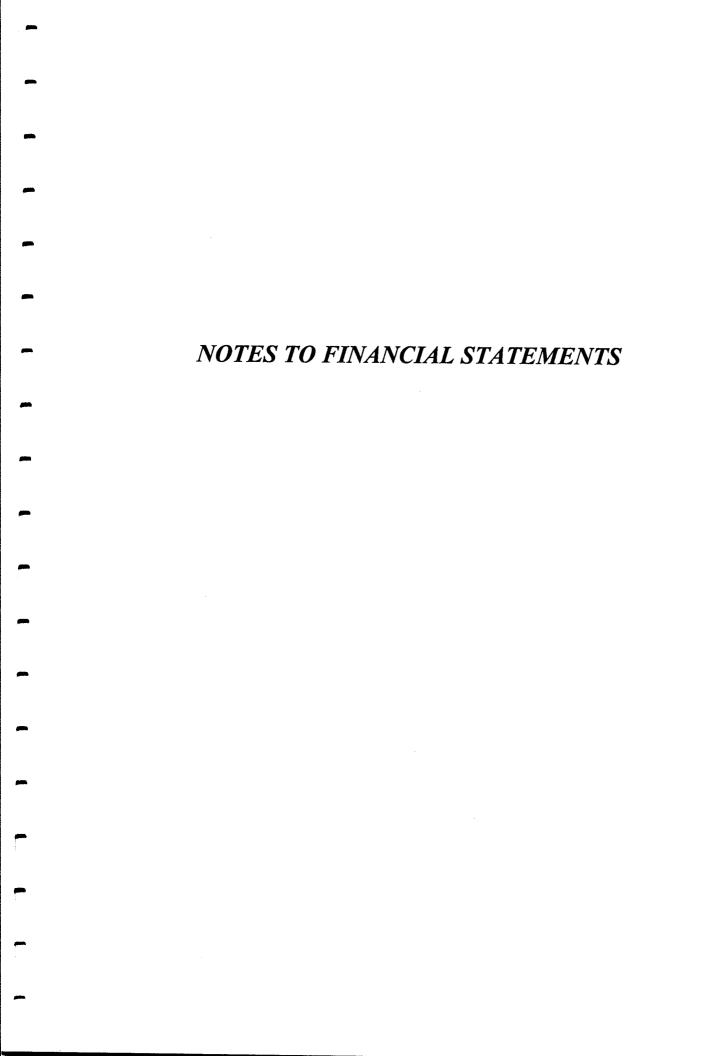
The accompanying notes are an integral part of the financial statements.

## PROPRIETARY FUND TYPES

# COMBINED STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2004

	_	Enterprise Funds		Internal Service Funds		Totals morandum Only)
CASH FLOWS FROM OPERATIONS:						
Operating income (loss) Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	\$	34,686	\$	(9,567)	\$	25,119
Depreciation Change in operating assets and liabilities which (used) provided cash:		130,217		36,772		166,989
Accounts receivable		3,213		_		3,213
Special assessments receivable		2,001		-		2,001
Prepaid expense		(190)		-		(190)
Accounts payable		(4,624)		532		(4,092)
Accrued expenses payable Deposits payable		(1,515)		(260)		(1,775)
Net cash provided by (used for) operating activities		163,811		27,477		191,288
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of fixed assets		(65,607)		(86,197)		(151,804)
Principal paid on long-term debt		(30,000)		(00,157)		(30,000)
Interest paid on long-term debt		(27,845)		-		(27,845)
Net cash provided by (used for) capital and related financing activities		(123,452)		(86,197)		(209,649)
CASH FLOWS FROM INVESTING ACTIVITIES:						······································
Receipt of interest		4,441		1,857		6 200
•		<del></del>				6,298
Net cash provided by (used for) investing activities		4,441		1,857		6,298
Net increase (decrease) in cash and equivalents		44,800		(56,863)		(12,063)
Cash and cash equivalents, beginning of year		270,028		127,147		397,175
Cash and cash equivalents, end of year	\$	314,828	\$	70,284	\$	385,112



## NOTES TO FINANCIAL STATEMENTS

March 31, 2004

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of St. Charles was incorporated on October 26, 1869. The Village operates on a Council-Manager form of government and provides the following services to approximately 2,300 citizens as authorized by its charter: Public Safety (police), highways and streets, sanitation, water and sewer, culture and recreation, public improvements, planning and zoning, and general administration.

The accounting policies of the Village of St. Charles conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

#### REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village and its component units. The component units discussed below are included in the Village's reporting entity because of the significance of their operational or financial relationship with the Village.

#### **COMPONENT UNITS:**

**Discretely Presented Component Units** - The component unit column in the combined financial statements include the financial data of the Village's two component units. These units are reported in a separate column to emphasize that they are legally separate from the Village.

**Downtown Development Authority -** The members of the governing board of the Downtown Development Authority are appointed by the Village Board. The issuance of bonded debt and levying of taxes by the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority.

Local Development Finance Authority - The members of the governing board of the Local Development Finance Authority (LDFA) are appointed by the Village Board. The issuance of bonded debt and levying of taxes by the LDFA must be approved by the Village Council. The Village also has the ability to significantly influence operations of the LDFA.

Separate financial statements for the component units are not prepared – see Note #15.

#### **JOINT OPERATIONS:**

Swan Creek Township, James Township, Village of St. Charles Water Authority - The Village participates in this Water Authority with two adjoining Townships. Each unit appoints two representatives to the Water Authority Board.

Mid Michigan Waste Authority - The Village participates in this Authority which provides waste/trash disposal services in Saginaw and Bay County.

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund and account group are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds are grouped, in the financial statements in this report, into fund types, broad fund categories, and account groups as follows:

#### **GOVERNMENTAL FUNDS:**

General Fund: The General Fund is the general operating fund of the Village. It is used to account for all financial transactions except those required to be accounted for in another fund.

**Special Revenue Funds:** Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

#### PROPRIETARY FUNDS:

Enterprise Funds: Enterprise funds are used to account for operations that provide services to citizens financed primarily by user charges; or activities where the periodic measurement of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service: The Internal Service Fund accounts for the financing of goods and services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

#### **ACCOUNT GROUPS:**

General Fixed Assets Account Group: This account group is used to account for the Village's fixed assets, except those accounted for in Proprietary Funds.

General Long-Term Debt Account Group: This account group is used to account for all long-term obligations of the Village, except those accounted for in Proprietary Funds.

#### TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

#### **BASIS OF ACCOUNTING**

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include taxpayer-assessed income, sales taxes, state and federal sources, and intergovernmental revenues.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred provided the liability normally would be liquidated with expendable available financial resources. The major exception to this general rule is principal and interest on general long-term debt which is generally recognized when due.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus. This means that generally only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

All proprietary funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total assets.

The Village has elected to apply Governmental Accounting Standards Board Statement No. 20, Paragraph 7, which allows the Village to apply only those Financial Accounting Standards Board pronouncements issued before November 30, 1989, to their proprietary funds.

#### **BUDGETS AND BUDGETARY**

The Village normally follows these procedures in establishing the budgetary data reflected in the financial statements.

- 1. The Manager submits to the Village Council at their January meeting, a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. The budget is legally enacted through a resolution at a special Village Council meeting in March.

## NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Village Council throughout the operating year.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Village Council.

The legal level of control is at the activity level for the General Fund and at fund expenditure totals for the Special Revenue Funds.

The Manager is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures in the General Fund must be approved by the Village Council.

#### **ENCUMBRANCES**

Encumbrance accepting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is *not* employed by the Village of St. Charles because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

#### CASH AND CASH EQUIVALENTS AND INVESTMENTS

All savings accounts, certificates of deposit, and short-term investments that are highly liquid and have an original maturity of three months or less are considered to be cash equivalents.

Investments, if any, are stated at fair value.

#### **RECEIVABLES**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

#### **INVENTORIES**

Inventories are stated at cost using the first-in, first-out (FIFO) method of valuation.

# DUE TO AND DUE FROM OTHER FUNDS, PRIMARY GOVERNMENT AND COMPONENT UNITS

During the course of its operations, the Village has numerous transactions between funds and component units to finance operations, to provide services, construct assets, and service debt. To the extent that certain transactions between funds and component units had not been paid or received as of fiscal year end, balances of interfund and component units accounts receivable or payable have been recorded.

#### RESTRICTED ASSETS - CASH AND CASH EQUIVALENTS

Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited.

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

#### FIXED ASSETS

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain (infrastructure) general fixed assets consisting of bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the Village are excluded from the General Fixed Asset Account Group. No depreciation has been provided on general fixed assets.

Fixed assets are stated at cost. Donated fixed assets are valued at their fair market value on the date donated.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Plant and facilities 10-40 years Equipment 5-10 years Vehicles 5-7 years

#### LONG-TERM DEBT

Long-term liabilities to be funded by governmental funds are reported in the General Long-Term Debt Account Group. Long-term debt obligations to be funded by proprietary funds are recorded as a liability in the respective fund.

#### **COMPENSATED ABSENCES**

Each Village employee will be paid for each sick day up to a 48 day maximum at retirement if they have been employed ten years or longer. Employees are paid for 100% of their vacation time at retirement but there is a limit on vacation carryover based on years of service. The estimated maximum amount due to employees for these compensated absences is accrued in the General Long-Term Debt Account Group. Current portions are not material.

#### **FUND EQUITY**

The unreserved undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved fund balance for governmental funds represents that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources. Reserved retained earnings for proprietary funds represents the net assets that have been legally identified for specific purposes. Designated fund balance indicates that portion of fund equity for which the Village has made tentative plans.

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

#### PROPERTY TAXES

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14. The Village levies tax for general operating purposes.

Real property taxes not collected as of February 28 or 29 are turned over to Saginaw County for collection. The County remits the collections to the Village until the delinquent tax settlement date. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer.

The assessed taxable value of real and personal property located in the Village as of December 31, 2002 totaled \$32,363,241 representing approximately 50% of estimated actual value. The year 2003 tax levy, based on the December 2002 valuations, was computed on the following rates:

	Millage
	Rate Used
General Operating	12.8029

## GRANTS AND OTHER INTERGOVERNMENTAL REVENUES

State grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

#### INTERFUND TRANSFERS

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Village management.

# NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

Public Act 621 of 1978, section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2004, the Village incurred no expenditures which were in excess of the amounts appropriated.

## **NOTES TO FINANCIAL STATEMENTS - continued**

March 31, 2004

#### NOTE 3: DEFICIT FUND BALANCE

The component unit Local Development Finance Authority had a deficit fund balance of \$108,856 at March 31, 2004. The Village has filed a deficit elimination plan with the State of Michigan.

## NOTE 4: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The cash/deposits of the Reporting Entity at March 31, 2004 are included on the balance sheet under the following classifications:

	BALANCE SHEET CLASSIFICATION
Deposits - Bank Petty Cash	Cash and Equivalents
	\$ 900,734 314
Total	\$ 901,048

#### **DEPOSITS:**

At March 31, 2004, the book value of the Village's bank deposits, consisting primarily of demand deposits, certificates of deposits and other cash equivalents, was \$900,734 with a corresponding bank balance of \$925,096 Village deposits are partially insured by the Federal Deposit Insurance Corporation. Of the bank's balance, \$333,743 is insured (credit risk Category #1) and the remaining \$591,353 is uninsured and uncollateralized (credit risk Category #3).

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In addition, the laws of the State of Michigan do not provide for collateralization of bank deposits. As a result, the Village evaluates each financial institution it deposits funds with and assesses the level or risk of each institution; only those with an acceptable estimated risk level are used as depositories. The Village deposits are in accordance with statutory authority.

The Village has no investments.

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

## NOTE 5: FIXED ASSETS

A summary of changes in the general fixed assets group follows:

	 Balance 4/1/03	A	dditions	Dele	etions	Balance 3/31/04
Buildings	\$ 714,586	\$	_	\$	_	\$ 714,586
Improvements - land	29,450		25,159		-	54,609
Machinery and equipment	201,430		5,022			206,452
Vehicles	80,148		-		-	80,148
Office equipment, furniture, and	·					•
fixtures	195,923		8,537		_	204,460
Park facilities	 177,285		10,975		-	188,260
Total	\$ 1,398,822	\$	49,693	\$	-	\$ 1,448,515

A summary of Proprietary Fund fixed assets at March 31, 2004, is as follows:

		ISE FUNDS	INTERNAL <u>SERVICE</u> Equipment	
	Sewer	Water	Fund	Total
Land	\$ 27,277	\$ 9,048	\$ -	\$ 36,325
Sewer system	2,560,856	-	-	2,560,856
Water system	-	2,333,796	-	2,333,796
Vehicles	-	-	214,734	214,734
Equipment	24,046	105,288	307,293	436,627
Total	2,612,179	2,448,132	522,027	5,560,698
Less accumulated depreciation	(1,711,213)	(1,147,482)	(302,203)	3,160,898
Net property, plant and equipment	\$ 900,966	\$ 1,300,650	\$ 219,824	\$ 2,421,440

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

#### NOTE 6: PENSION PLAN

#### Michigan Municipal Employees Retirement System

#### a) Plan Description

The Village contributes to the Michigan Municipal Employees' Retirement System, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental units in the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty-connected death and post-employment adjustments to plan members and their beneficiaries.

All full-time employees are eligible to participate in the plan. Benefits vest after 6 years of service. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.5 percent times the final average compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2002.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 [MSA 5.333(a); MCLA 46.12 (a)], as amended, State of Michigan. MERS is regulated under Act No. 220 of the Public Acts of 1996, as emended, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

#### b) Funding Policy

The obligation to contribute and maintain the system for these employees was established by negotiation with the Village Council and personnel policy. The Village of St. Charles is required to contribute at actuarially determined rates; the current rates ranged from 16.30 to 27.99 percent of eligible payroll based on the December 31, 2001 valuation.

#### c) Annual Pension Cost

During the fiscal year ended March 31, 2004, the Village of St. Charles contributions totaling \$73,271 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2001. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

#### NOTE 6: PENSION PLAN, continued

## **Three-Year Trend Information**

Fiscal Year Ending	Ì	Annual Pension ost (APC)	Percentage of APC Contributed	Net Pension Obligation
3/31/02	\$	38,032	100%	\$0
3/31/03		69,094	. 100	0
3/31/04		73,271	100	0

## NOTE 7: LONG-TERM DEBT

## PRIMARY GOVERNMENT

#### General Long-Term Debt Group:

		Balance 3-31-03	_	Additions eductions)	Balance 3-31-04	
Accrued sick and vacation liability	\$	50,024	\$	(1,398)	\$	48,626
Land contract payable - Community State Bank. The contract is payable in monthly installments of \$1,020 on the first of each						
month at an interest rate of 4%.		67,684		(9,702)		57,982
Total primary government general long-term debt	\$	117,708	\$	(11,100)	\$	106,608

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

#### NOTE 7: LONG-TERM DEBT, continued

	Balance 3-31-03	_	Additions leductions)	Balance 3-31 <b>-</b> 04
Water System Improvements Contract Payable -				 
Saginaw County				
The contract dated June 18, 1997, which bears interest at 5.55% to 5.70% per schedule in back to 5.70%, is due serially through 2017. The principal and interest are to be paid from the net revenues from				
the water supply system.	\$ 515,000	\$	(30,000)	\$ 485,000
Total proprietary/enterprise funds debt	\$ 515,000	\$	(30,000)	\$ 485,000

#### **COMPONENT UNITS**

#### Long-Term Debt

Long-term debt of the component units consists of the following:

#### Local Development Finance Authority

The contract dated August 9, 1988, which bears interest at 6.5% to 9.5%, is due serially through 2003. The payments of principal and interest are made from the tax increment financing of the

affected District.	\$ 50,000	\$ (50,000)	\$
1999 Downtown Development General Obligation			
Limited Tax Bonds The bonds dated September 1, 1999 are payable			
in annual installments of \$15,000 to \$25,000,			
plus semi-annual interest payments at 4.2% to			

5.5% through August 1, 2014. 275,000 (20,000)255,000 Total component units long-term debt 325,000 (70,000)255,000

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

#### NOTE 7: LONG-TERM DEBT, continued

Pursuant to an agreement between the Village and the Downtown Development Authority (DDA), the DDA has agreed to make the payments on the Village land contract payable. During the year ended March 31, 2004, the DDA paid \$12,240 (\$9,361 principal and \$2,879 interest) on the land contract for the Village. The DDA has determined that the land contract is an eligible obligation for purposes of capturing post 1994 school taxes.

The annual requirements to pay all outstanding debt of the primary government (except accrued sick and vacation pay) as of March 31, 2004, including interest payments of \$199,651 are as follows:

Fiscal Year Ended March	LO <u>DE</u>	GENERAL LONG-TERM <u>DEBT GROUP</u> Land Contract Payable		TERPRISE FUND 97 Saginaw County Contract	Totals
2005	\$	12,240	\$	56,425	\$ 68,665
2006		12,240		59,605	71,845
2007		12,240		57,645	69,885
2008		12,240		55,685	67,925
2009		12,240		53,725	65,965
2010		3,198		51,765	54,963
2011		-		49,805	49,805
2012		-		47,845	47,845
2013		-		45,885	45,885
2014		-		43,925	43,925
2015		-		41,956	41,956
2016		-		39,979	39,979
2017		-		37,992	37,992
2018	<u> </u>	-		35,998	 35,998
	\$	64,398	\$	678,235	\$ 742,633
Principal	\$	57,982		485,000	542,982
Interest	•	6,416		193,235	199,651
	\$	64,398	\$	678,235	\$ 742,633

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

#### NOTE 7: LONG-TERM DEBT, continued

The annual requirements to pay all outstanding debt of the Component units as of March 31, 2004, including interest payments of \$78,202 are as follows:

Fiscal Year Ended March	1999 Downtown Development Limited Tax Bonds
2005	\$ 32,775
2006	31,800
2007	30,810
2008	29,805
2009	33,662
2010	32,375
2011	31,069
2012	29,750
2013	28,413
2014	27,056
2015	25,687
	\$ 333,202
Principal Interest	\$ 255,000 78,202
	\$ 333,202

#### NOTE 8: ADVANCE TO/FROM COMPONENT UNIT

# DUE FROM COMPONENT UNIT: Advance From Advance From Advance From Advance To Special Revenue Fund: \$ 196,368 \$ Grant Revolving Loan Fund \$ 196,368 \$ Component Unit: 196,368 Total \$ 196,368 \$ 196,368

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

## NOTE 9: CONTRIBUTED CAPITAL

The following is a summary of changes in contributed capital for the year ended March 31, 2004.

	Sewer <u>Fund</u>			Water Fund	Totals		
Balance - April 1, 2003	\$	555,559	\$	305,951	\$	861,510	
Add: Customer contributions Less: Depreciation on fixed assets -		-		-		-	
current year		(60,462)		(14,455)		(74,917)	
Balance - March 31, 2004	\$	495,097	\$	291,496	\$	786,593	

# NOTE 10: RESERVED AND DESIGNATED FUND BALANCES/RETAINED EARNINGS

The following fund balances/retained earnings have been designated/reserved as follows:

## **GENERAL FUND:**

Designated for Ambulance Service Reserved for prepaid expenditures	\$ 223 11,367
Total	 11,590

#### SPECIAL REVENUE FUND:

Major Street:	
Reserved for prepaid expenditures	870
Local Street:	
Reserved for prepaid expenditures	870
Grant Revolving Loan:	
Reserved for long-term advance	196,368
Total	198,108
Grand total	\$ 209,698

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

## NOTE 11: SEGMENT INFORMATION - ENTERPRISE FUNDS

The Village maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended March 31, 2004 was as follows:

		Sewer Fund		Water Fund		Total Enterprise Fund	
Operating revenues (including sales to other funds of the government)  Depreciation, depletion, and amortization Operating income (loss) Operating grants, entitlements, and shared revenues Operating interfund transfers in (out) Tax revenues Net income (loss) Current capital contributions Property, plant, and equipment additions (deletions) Net working capital Total assets Bonds and other long-term debt outstanding Amounts of this debt payable solely from operating revenues Total equity	\$	171,769 65,564 4,286 - - 6,129 - 19,206 193,023 1,094,699	\$	323,283 64,653 30,400 - - 5,153 - 46,401 165,052 1,531,417 485,000	\$	495,052 130,217 34,686 - 11,282 - 65,607 358,075 2,626,116 485,000	
Total equity		1,093,989		1,010,666		2,104,655	

#### **NOTE 12: RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has been a member of the Michigan Municipal League sponsored self insurance/public entity risk pools for several years. The Village pays annual premiums to the respective pools for general liability, auto, and workers compensation insurance coverage. The agreements for the formation of the Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund provide that the pools will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of limitations imposed by the pool. The Michigan Municipal General and Auto Liability Fund provides coverage of claims up to \$2 million per occurrence with reinsurance provided to cover amounts in excess of this limit. The Michigan Municipal Workers Compensation Fund provides coverage of claims up to \$500,000 per occurrence with reinsurance provided to cover amounts in excess of this limit.

The Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund have published their own financial reports which can be obtained by contacting the management of each pool.

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

#### **NOTE 13: CONTINGENCIES**

Under the terms of State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. However, Village management does not believe such disallowances, if any, will be material to the financial position of the Village.

## NOTE 14: POST EMPLOYMENT BENEFITS

The Village provides health insurance benefits to its retirees. This benefit provides for the cost of the retirees insurance only, any additional coverage for family members is provided on a reimbursement basis. Currently, there are two retirees receiving this benefit at an annual cost of \$4,963.

The Village is using a pay-as-you-go method to finance this benefit.

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

# NOTE 15: COMPONENT UNIT FINANCIAL INFORMATION

Condensed financial statements for each of the discretely presented units is presented below. Complete financial statements of the Downtown Development Authority and the Local Development Finance Authority can be obtained form the Village Manager at the Village Offices, 110 W. Spruce, St. Charles, MI 48655. Separately issued financial statements are not prepared for these component units.

#### **Balance Sheet**

	$D\epsilon$	Downtown evelopment Authority		Local evelopment Finance Authority	Total
ASSETS:			***************************************		 
Current Assets:					
Cash and cash equivalents	\$	41,427	\$	75,882	\$ 117,309
Taxes receivable - delinquent		3,196		11,630	14,826
Amount to be provided for retirement of long-term debt		255,000			255,000
Total assets	\$	299,623	\$	87,512	\$ 387,135
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Accounts payable	\$	272	\$	-	\$ 272
Accrued liabilities		2,231		-	2,231
Customer deposits payable		1,268		-	1,268
Advance payable to primary government		•		196,368	196,368
Bonds payable		255,000			255,000
Total liabilities		258,711		196,368	455,139
Fund Equity:					
Fund balances:					
Unreserved - undesignated (deficit)		40,852		(108,856)	 (68,004)
Total fund equity (deficit)		40,852		(108,856)	(68,004)
Total liabilities and fund equity	\$	299,623	\$	87,512	\$ 387,135

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

# Statement of Revenue, Expenditures, and Changes in Fund Balances

DENZEAUTEG	De	Downtown Development Authority		Local Development t Finance Authority		Total	
REVENUES: Taxes Interest Rent	\$	64,429 236 17,127	\$	54,971 959 7,800	\$	119,400 1,195 24,927	
Sale of assets/loan payments  Total revenues		81,792		17,291 81,021		17,291 162,813	
EXPENDITURES:  Health and Welfare:							
Economic development  Debt Service:		22,735		42,478		65,213	
Principal Interest and fees		29,702 16,415		50,000 1,833		79,702 18,248	
Total expenditures	<del></del>	68,852		94,311		163,163	
Revenues over (under) expenditures		12,940		(13,290)		(350)	
Fund balance (deficit), beginning of year	-	27,912		(95,566)		(67,654)	
Fund balance (deficit), end of year	\$	40,852	\$	(108,856)	\$	(68,004)	

# COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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•	GENERAL FUND
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## GENERAL FUND

# STATEMENT OF REVENUES AND OTHER FINANCING SOURCES

For the Year Ended March 31, 2004

REVENUES:	
Current Taxes:	
Property taxes	\$ 373,781
Property tax administration fee	7,663
	381,444
Licenses and Permits:	
Non-business licenses and permits	7,375
CATV franchise fees	8,409
	15,784
State Grants:	
Liquor license fees	1,599
State revenue sharing	238,026
State grants – other	1,168
Police grant	651
	241,444
Charges for Services:	
Refuse collection fees	78,744
Recreation fees	7,383
Copies	457
Charges for services – other	1,650
	88,234
Fines and Forfeitures:	
Ordinance fines	2,261
	2,261
Interest and Rents:	
Interest earned	2,502
Rents	49,655
	52,157
Other Revenue:	
Contributions and donations	19,400
Miscellaneous/other	15,036
	34,436
Total revenues	\$ 815,760

## GENERAL FUND

# STATEMENT OF EXPENDITURES AND OTHER FINANCING USES

For the Year Ended March 31, 2004

#### **EXPENDITURES:**

#### General Government:

Council:		
Personnel	\$	3,120
Fringe benefits	Ψ	239
Dues and memberships		2,113
Education and training		347
		5,819
Manager:		-,015
Personnel		32,529
Fringe benefits		2,475
Mileage/auto		394
Dues and memberships		503
Education and training		224
	-	36,125
Clerk:		
Personnel		2,934
Fringe benefits		223
Supplies		825
Mileage/auto		262
Education and training		50
Printing and publications		116
		4,410
Audit:		
Contracted services		1,655
General Administration:		
Personnel	,	21,106
Fringe benefits		37,765
Supplies		5,228
Contracted services		3,015
Printing and publications		1,042
Insurance	1	13,224
Repairs and maintenance		7,469
Other		130
		38,979

#### GENERAL FUND

## STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended March 31, 2004

#### **EXPENDITURES**, continued

General Government, continued:	
Treasurer:	
Personnel	5,129
Fringe benefits	398
Supplies	2,156
Education and training	35
Other	42
	7,760
Building and Grounds:	7,700
Personnel	21,842
Fringe benefits	21,842
Supplies	4,018
Contracted services	2,843
Telephone	3,191
Insurance	2,857
Utilities	14,555
Repairs and maintenance	9,384
Rental – equipment	23,898
Other	635
	85,423
Attorney:	05,425
Contracted services	658
Community Promotion/Newspaper:	
Contracted services	6,073
Printing and publications	3,752
-	9,825
Total general government	240,654
Public Safety:	
Police:	
Personnel	134,426
Fringe benefits	85,927
Supplies	7,621
Contracted services	7,812
Telephone	2,486
Dues and memberships	325
Education and training	1,059
Insurance	8,186
	0,200

#### GENERAL FUND

# STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended March 31, 2004

#### **EXPENDITURES**, continued

Public Safety, continued:	
Police, continued:	
Repairs and maintenance	2,738
Other	2,730 1,814
Protective Inspection and Regulation:	252,394
Personnel	0.100
Fringe benefits	9,108
Supplies	702
Contracted services	138
Mileage/auto	480
Education and training	1,041
Education and training	41
	11,510
Total public safety	263,904
Public Works:	
Street Lighting:	
Utilities	32,347
Refuse:	
Contracted services	74.502
Contracted Sci vices	74,593
Total public works	106,940
Health and Welfare:	
Other Health and Welfare:	
Other	2,974
<del> </del>	2,974
Total health and welfare	2,974
Community and Economic Development:	
Planning and Zoning:	
Personnel	675
Fringe benefits	52
Contracted services	1,757
	2,484
Total community and economic development	2,484

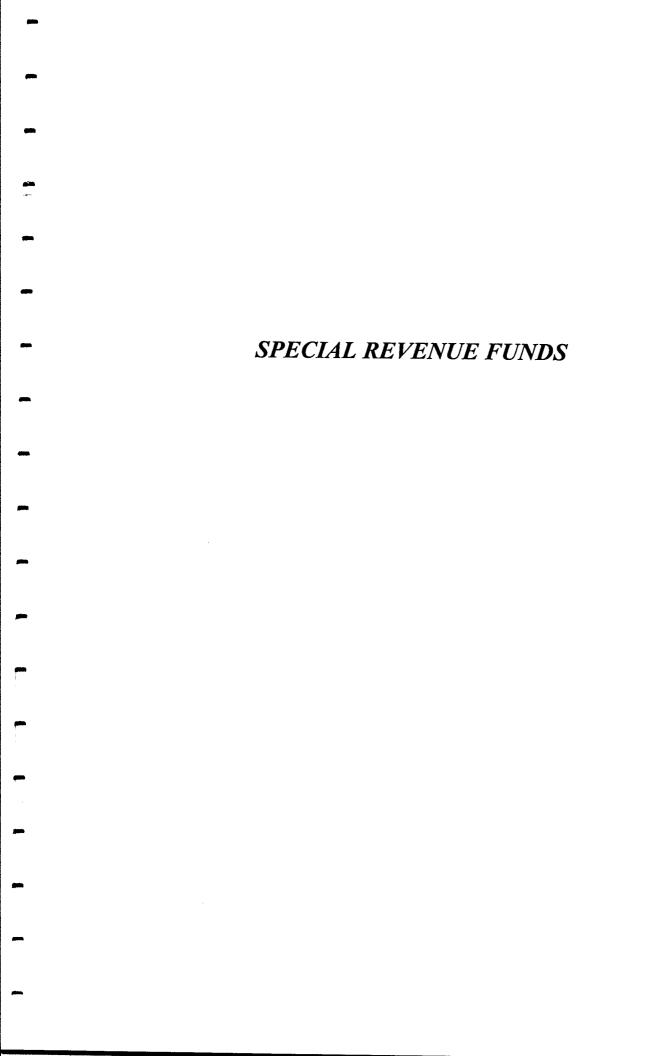
#### GENERAL FUND

# STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended March 31, 2004

#### **EXPENDITURES**, continued

Recreation and Culture:	
Parks and Recreation:	
Personnel	28,183
Fringe benefits	2,411
Supplies	4,966
Contracted services	860
Telephone	330
Insurance	2,160
Utilities	4,092
Repairs and maintenance	14,144
Rental – equipment	16,350
Other	438
	73,934
Total recreation and culture	73,934
Capital Outlay	
General Government:	
General administration	8,537
Building and grounds	24,682
	33,219
Public Safety:	33,219
Police	5,022
Recreation and Culture:	
Parks and recreation	
raiks and recreation	10,975
Total capital outlay	49,216
Total expenditures	740,106
OTHER FINANCING USES:	<del> </del>
Transfers to other funds	10.000
Transition to outer julius	40,000
Total expenditures and other financing uses	\$ 780,106



#### SPECIAL REVENUE FUNDS

### **COMBINING BALANCE SHEET**

		Major Streets	Local Streets		Grant Revolving Loan		Community Home Improvement Program		Totals
ASSETS:									
Cash and equivalents Special assessments receivable Notes receivable Due from other governmental	\$	40,592	\$	49,086 - -	\$	39,362 549 1,698	\$	75,292 - 8,125	\$ 204,332 549 9,823
units Prepaid expense Advance to component unit		23,803 870		9,080 870 -		- - 196,368		- - -	32,883 1,740 196,368
Total assets	\$	65,265	\$	59,036	\$	237,977	\$	83,417	\$ 445,695
LIABILITIES AND FUND EQUITY: Liabilities: Accrued expenses Deferred revenue	\$	82 -	\$	227	\$	- 2,065	\$	8,125	\$ 309 10,190
Total liabilities		82		227		2,065		8,125	 10,499
Fund Equity: Fund Balance: Reserved Unreserved – Undesignated		870 64,313		870 57,939		196,368 39,544		75,292	198,108 237,088
Total fund equity		65,183		58,809		235,912	-	75,292	 
Total liabilities and fund equity	\$	65,265	\$		\$	237,977	\$	83,417	\$ 435,196 445,695

#### SPECIAL REVENUE FUNDS

# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended March 31, 2004

	Major Streets		Local Streets	Grant Revolving Loan	Community Home Improvement Program	Totals
REVENUES:						
Intergovernmental: State grants Contributions from local units	\$ 122,5 37,3		46,487 -	\$ - -	\$ -	\$ 168,988 37,300
Interest and rentals		28	300	524	1,435	3,087
Other revenue	8	54	854	2,505	3,223	7,436
Total revenues	161,4	83	47,641	3,029	4,658	216,811
EXPENDITURES:						
Public works Health and welfare	148,3	02	98,508 -	-	- 14	246,810 14
Total expenditures	148,3	)2	98,508	-	14	 246,824
Excess of revenues over (under) expenditures	13,18	31	(50,867)	3,029	4,644	(30,013)
OTHER FINANCING SOURCES (USES):						
Transfers from other funds Transfers to other funds	(29,40	- )5)	69,405	-	-	69,405 (29,405)
Total other financing sources (uses)	(29,40	)5)	69,405	_	4	 40,000
Excess of revenues and other financing sources over (under) expenditures and other						
financing uses	(16,22	4)	18,538	3,029	4,644	9,987
Fund balances, beginning of year	81,40	7	40,271	232,883	70,648	425,209
Fund balances, end of year	\$ 65,18	3 \$	58,809	\$ 235,912	\$ 75,292	\$ 435,196

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•	ENTERPRISE FUNDS
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#### ENTERPRISE FUNDS

### **COMBINING BALANCE SHEET**

ASSETS:	Sewe Fun	•	Water Fund		Totals	
Current Assets: Cash and equivalents Accounts receivable Special assessments receivable Inventory Prepaid expense	35	5,280 5,455 1,019	\$ 167,719 36,000 4,525 21,653		314,828 71,280 10,980 25,672	
Total current assets	103	,733	870 230,767		1,740 424,500	
Property, Plant, and Equipment: Property, plant, and equipment, at cost Less: accumulated depreciation Net property, plant, and equipment Total assets	2,612 (1,711	,179 ,213) ,966	2,448,132 (1,147,482) 1,300,650 \$ 1,531,417	<b>\$</b>	5,060,311 (2,858,695) 2,201,616	
LIABILITIES:						
Current Liabilities: Accounts payable Accrued expenses Deposits payable Current portion of long-term debt Total current liabilities	\$	77 S 633 - - 710	\$ 7,708 9,472 18,571 30,000 65,751	\$	7,785 10,105 18,571 30,000 66,461	
Long-Term Liabilities: Revenue bonds payable Total long-term liabilities		-	455,000 455,000		455,000 455,000	
Total liabilities		710	520,751		521,461	
FUND EQUITY: Contributed capital Retained Earnings: Unreserved – Undesignated	495, 598,		291,496 719,170		786,593	
Total fund equity	1,093,		1,010,666		1,318,062 2,104,655	
Total liabilities and fund equity	\$ 1,094,			\$	2,626,116	

#### ENTERPRISE FUNDS

# COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

For the Year Ended March 31, 2004

	 Sewer Fund	Water Fund	Totals
OPERATING REVENUES:			
Charges for services	\$ 160,327	\$ 307,583	\$ 467,910
Penalties	9,641	-	9,641
Hydrant rental	•	15,700	15,700
Other	 1,801	 _	1,801
Total operating revenues	 171,769	 323,283	495,052
OPERATING EXPENSES:			
Personnel	42,672	49,752	92,424
Fringe benefits	20,508	20,779	41,287
Supplies	1,341	2,624	3,965
Contracted and professional services	3,364	8,487	11,851
Telephone	775	1,441	2,216
Dues and memberships	-	314	314
Education and training	200	90	290
Repair and maintenance	9,219	14,796	24,015
Insurance	2,822	3,452	6,274
Utilities	4,142	1,320	5,462
Purchase of water	-	99,862	99,862
Equipment rental	16,876	25,286	42,162
Other expenses	-	27	27
Depreciation	65,564	64,653	130,217
Total operating expenses	167,483	 292,883	 460,366
Operating income (loss)	 4,286	30,400	34,686
NON-OPERATING REVENUES (EXPENSES):			
Interest income	1,843	2,598	4,441
Interest expense	-,	(27,845)	(27,845)
Total non-operating revenues (expenses)	 1,843	(25,247)	(23,404)
Net income (loss)	6,129	5,153	11,282
Add: Depreciation on fixed assets acquired with contributed capital	 60,462	 14,455	74,917
Increase (decrease) in retained earnings	 66,591	19,608	86,199
Retained earnings, beginning of year	532,301	699,562	1,231,863
Retained earnings, end of year	\$ 598,892	\$ 719,170	\$ 1,318,062

#### ENTERPRISE FUNDS

### COMBINING STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2004

		Sewer Fund	 Water Fund	 Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss) Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	\$	4,286	\$ 30,400	\$ 34,686
Depreciation Change in operating assets and liabilities which provided (used) cash:		65,564	64,653	130,217
Accounts receivable		3,213	_	3,213
Special assessments receivable		1,498	503	2,001
Prepaid expense		(95)	(95)	(190)
Accounts payable		(4,715)	91	(4,624)
Accrued expenses Deposits payable		(313)	(1,202) 23	(1,515) 23
Net cash provided by (used for) operating activities		69,438	94,373	163,811
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of fixed assets Principal paid on long-term debt		(19,206)	(46,401) (30,000)	(65,607) (30,000)
Interest paid on long-term debt		_	(27,845)	(27,845)
Net cash provided by (used for) capital and related financing activities		(19,206)	(104,246)	 (123,452)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Receipt of interest		1,843	2,598	4,441
Net cash provided by (used for) investing activities	-	1,843	2,598	4,441
Net increase (decrease) in cash and equivalents		52,075	(7,275)	 44,800
Cash and cash equivalents, beginning of year		95,034	 174,994	 270,028
Cash and cash equivalents, end of year	\$	147,109	\$ 167,719	\$ 314,828

#### **SCHEDULE OF INDEBTEDNESS**

	Date of Issuance or Loan	 Original Amount	Interest Rate	Date of Maturity	Remaining Amount of Annual Maturity
GENERAL LONG-TERM DEBT:					
Primary Government:					
1999 Village of St. Charles Land Contract Payable with Community State Bank - Obtained for the purpose of purchasing the Goodrich	,				
Building	7/1/99	\$ 100,814	4.00%	3/1/05 3/1/06 3/1/07 3/1/08 3/1/09 8/1/09	\$ 10,104 10,516 10,944 11,388 11,854 3,176 57,982
Component Units:					
1999 Downtown Development General Obligation Limited Tax Bonds - Obtained for the purpose of constructing the Village's					
downtown street improvements	9/1/99	\$ 325,000	4.85% 4.90 5.00 5.05 5.10 5.20 5.25 5.30 5.40 5.45 5.50	8/1/04 8/1/05 8/1/06 8/1/07 8/1/08 8/1/09 8/1/10 8/1/11 8/1/12 8/1/13 8/1/14	20,000 20,000 20,000 20,000 25,000 25,000 25,000 25,000 25,000 25,000 25,000

### SCHEDULE OF INDEBTEDNESS, continued

	Date of Issuance or Loan	Original Amount	Interest Rate	Date of Maturity	Remaining Amount of Annual Maturity
GENERAL LONG-TERM DEBT, continued:					
Enterprise Funds:					
Village of St. Charles Water System Improvement Contract Payable with Saginaw County - Obtained for the purpose of improving and extending water supply services	6/18/97	\$ 665,000	5.60% 5.60% 5.60% 5.60% 5.60% 5.60% 5.60% 5.60% 5.65% 5.65%	7/1/04 7/1/05 7/1/06 7/1/07 7/1/08 7/1/09 7/1/10 7/1/11 7/1/12 7/1/13 7/1/14 7/1/15	30,000 35,000 35,000 35,000 35,000 35,000 35,000 35,000 35,000 35,000
			5.70%	7/1/16	35,000
			5.70%	7/1/17	35,000 485,000
	Total Indebte	edness			\$ 542,982

#### REQUIRED SUPPLEMENTAL INFORMATION

### PENSION SYSTEM SCHEDULE OF FUNDING PROGRESS

March 31, 2004

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Lia	Actuarial Accrued ability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)		<i>(b)</i>	(b-a)	(a/b)	(c)	(b-a)/c
12/31/02	\$ 1,293,608	\$	1,852,246	\$ 558,638	69.84%	367,821	151.88%
12/31/01	1,240,201		1,754,811	514,610	70.67	357,157	144.09
12/31/00	1,167,067		1,613,281	446,214	72.34	349,505	127.67
12/31/99	1,071,002		973,556	(97,455)	110.01	317,370	-
12/31/98	885,592		899,033	13,441	98.50	313,176	4.29
12/31/97	782,900		825,453	42,553	94.85	285,211	14.92



60 Harrow Lane Saginaw, Michigan 48603

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#### MANAGEMENT LETTER-

To The Village Council Village of St. Charles Saginaw County Michigan

We have completed our examination of the financial statements of the Village of St. Charles for the year ended March 31, 2004, and have issued our report thereon dated May 5, 2004. As part of our examination, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Village's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Village's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Village of St. Charles taken as a whole. Our study and evaluation disclosed no condition that we believe to be material weakness.

This report is intended solely for the use of the Village's management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume & Company

Certified Public Accountants

Beachiainne & Co

May 5, 2004